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February 7, 2023

Ms. Ann E. Misback  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551

Submitted via email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

**Re: Principles for Climate-Related Financial Risk Management for Large Financial Institutions – Docket No. OP-1793<sup>1</sup>**

Dear Ms. Misback:

Bloomberg L.P.<sup>2</sup> (“Bloomberg”) respectfully submits this letter in response to the above-referenced request for comment by the Board of Governors of the Federal Reserve System (“Board”) on proposed principles for climate-related financial risk management for large financial institutions with over \$100 billion in assets (“Proposed Principles”).

We welcome the Proposed Principles as they are an important step in addressing the financial risk associated with climate change. Similar to the earlier draft principles issued by the Office of the Comptroller of the Currency (“OCC”) and the Federal Deposit Insurance Corporation (“FDIC”), the Proposed Principles set out supervisory expectations for financial institutions to identify and address these risks and have the potential to promote greater transparency, accountability, and better risk management, which can help ensure that the financial system is resilient in the face of a changing climate.

We support the Proposed Principles and offer a few insights in response to questions 1 through 3 of the proposing release.

As the Board notes in the proposing release, the Proposed Principles provide a high-level framework for the management of exposures to climate-related financial risks. They provide a foundation for large financial institutions to identify, analyze, and address climate-related risks using existing risk management standards and guidance for boards and management. We agree \

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<sup>1</sup> Principles for Climate-Related Financial Risk Management for Large Financial Institutions (Dec. 2022), *available at* <https://www.govinfo.gov/content/pkg/FR-2022-12-08/pdf/2022-26648.pdf>.

<sup>2</sup> Bloomberg L.P. is a global leader in business and financial information, delivering trusted data, news, and insights that bring transparency, efficiency, and fairness to the markets. The company helps connect influential communities across the global financial ecosystem via reliable technology solutions that enable our customers to make more informed decisions and foster better collaboration.

with the Board’s approach as the field of climate risk management continues to evolve. We do not believe that the Proposed Principles should require more specificity with regard to the tools and methods used by financial institutions as overly specific principles could stifle innovation in this respect.

By contrast, we observe increasing consensus on the data inputs that are needed to conduct climate financial risk analysis. Notably, the following data tend to be relevant in most approaches to climate financial risk analysis. On a counterparty-level:

- greenhouse gas emissions (including Scope 3 emissions, to the extent available);
- exposure to reliance on fossil fuel;
- exposure to or reliance on low carbon technologies;
- geographical locations of physical assets; and
- supply chain dependencies.

The Proposed Principles could consider including reference to these data as a guide to the inputs that financial institutions may use to conduct their analysis.

We are also encouraged to see that the Proposed Principles align closely with the guidance from the Task Force on Climate-Related Financial Disclosures (“TCFD”), though we note that the TCFD’s work is focused on disclosure rather than actual risk management.<sup>3</sup> In 2021, the Financial Stability Oversight Council (“FSOC”) released its Report on Climate-Related Financial Risk, which recommended that FSOC members considering climate-related risk-disclosure requirements leverage the TCFD framework.<sup>4</sup> Consistency among climate-related information is essential to effectively assess and manage climate risks, and we are glad to see the Board, as well as other FSOC members taking steps to mitigate the effects of climate change, draw from the TCFD’s recommendations.

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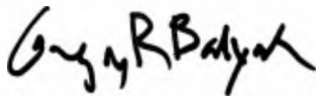
<sup>3</sup> The TCFD is an industry-led task force created by the Financial Stability Board. Its members represent large banks, insurance companies, asset managers, pension funds, large non-financial companies, accounting and consulting firms, and credit rating agencies. The TCFD has developed recommendations for more effective climate-related financial disclosures to promote more informed investment, lending, and insurance underwriting decisions. It is chaired by Michael R. Bloomberg, founder of Bloomberg L.P. For further information on the TCFD, please see <https://www.fsb-tcfd.org/>.

<sup>4</sup> See FSOC Report on Climate-Related Financial Risk, (Oct. 21, 2021), *available at* <https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf>. The report was issued in response to the directive in President Biden’s executive order on “Climate-Related Financial Risk” to the Secretary of the Treasury to engage FSOC members on this topic. Executive Order 14030, Climate-Related Financial Risk (May 20, 2021), available at <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/20/executive-order-onclimate-related-financial-risk>.

Supervisory expectations for financial institutions should be appropriately calibrated to account for the financial impacts that result from the economic effects of climate change and the transition to a low carbon economy, and we appreciate the Board's willingness to seek public feedback in finalizing the Proposed Principles. We would be pleased to discuss any questions that the Board may have with respect to this letter.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read "Greg R. Babyak". The signature is fluid and cursive, with the first name "Greg" and last name "Babyak" clearly distinguishable.

Gregory Babyak  
Global Head of Regulatory Affairs, Bloomberg L.P.